Ⅲ Yardi®Matrix

Resilience In Cleveland

April 2024

Job Market Maintains Momentum

Construction Pipeline Remains Healthy

RBN Segment Fuels Rent Growth

IMI Yardi Matrix

Transactions, Jobs On Upswing

Cleveland's multifamily market reflected an oscillating performance. Rent growth was 0.1% on a trailing three-month basis through February, while the U.S. rate posted a decline. Year-over-year, the metro's average rate was up 3.5%, settling at $1,159, still well below the U.S. average. Cleveland's occupancy rate neared the national level, clocking in at 94.5% as of January.

In February, the unemployment rate was at 4.3%, according to preliminary data from the Bureau of Labor Statistics. The figure was 60 basis points higher than the U.S. average. The metro closed 2023 with 29,000 jobs added, amounting to a 1.6% expansion. The education and health services sector led job gains. Work was underway on the Case Western Reserve University's new, $300 million Interdisciplinary Science and Engineering Building. The 189,000-square-foot building will replace Yost Hall and is expected to come online in the fall of 2026.

Cleveland had 4,488 units under construction as of February and an additional 16,200 units in the planning and permitting stages. Yardi Matrix expects the metro's footprint to increase by 1,371 units by the end of the year. During the first two months of the year, only three RBN properties traded for a combined $60 million. If this trend continues, this year's transaction volume will likely surpass 2023's $129 million.

Market Analysis | April 2024

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Recent Cleveland Transactions

The Lakes of Aurora

City: Aurora, Ohio
Buyer: The Solomon Organization
Purchase Price: $42 MM
Price per Unit: $177,898

Surfside Towers

City: Eastlake, Ohio
Buyer: RHM Real Estate Group
Purchase Price: $16 MM
Price per Unit: $65,274

RENT TRENDS

➤ Cleveland rates were up 0.1% on a trailing three-month (T3) basis through February. Meanwhile, the national trend moved in the opposite direction, with the U.S. figure posting a 0.1% decline. Despite kicking the year off with negative rent growth, Cleveland rent gains remained above the national average. On a year-over-year basis, the metro's rates were up 3.5%, far ahead of the 0.6% national figure.

➤ The metro's average rent was $1,159 as of February, remaining considerably below the national figure of $1,713. The Renter-by-Necessity segment fueled rent growth locally. RBN rents were up 0.2% on a T3 basis, settling at $1,074, while Lifestyle rents stagnated, at $1,765. On an annual basis, rents for the RBN segment were up 3.9%, while Lifestyle rents posted a 1.5% growth rate.

➤ The occupancy rate in stabilized assets across Cleveland fell to 94.5%, as of January. The figure was just 10 basis points below the national average but marked a 100-basis-point drop year-over-year. Both quality segments showed an annual decline. Occupancy for Lifestyle assets fell 160 basis points to 93.6%, while RBN assets showed a more moderate decline, with occupancy down 90 basis points, to 94.7%.

➤ Most of Cleveland's 60 submarkets recorded rent increases. Broadway led growth (up 9.2% to $1,598), followed by Shaker Heights (up 8.7% to $964) and Strongsville (up 7.6% to $1,254). At the other end, the Portage submarket recorded the largest losses; rents were down 1.9%, slipping to $1,312. Ohio City was the priciest submarket, with rents at $2,068.

Cleveland vs. National Rent Growth (Trailing 3 Months)
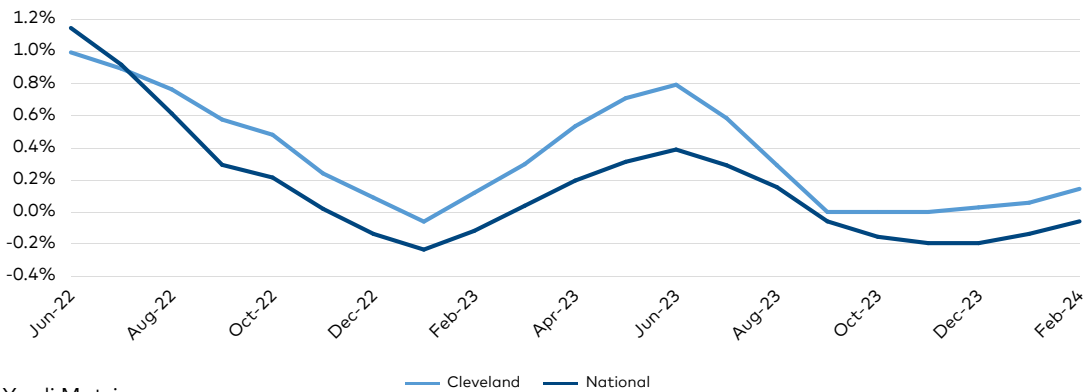
Source: Yardi Matrix

Cleveland Rent Growth by Asset Class (Trailing 3 Months)
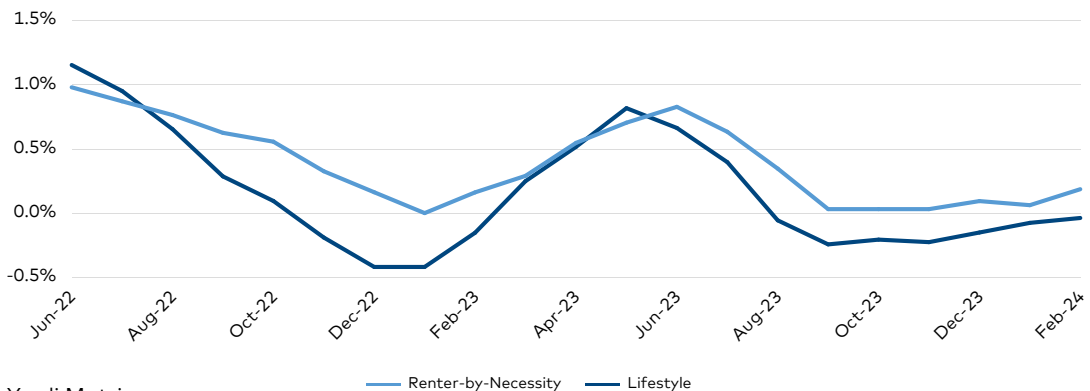
Source: Yardi Matrix

ECONOMIC SNAPSHOT

➤ As of January, the metro trailed the U.S. and the state's overall unemployment rates, both of which stood at 3.7%. Cleveland and Akron were in lockstep, at 4.3%, 60 basis points higher than the U.S. and Ohio figures.

➤ In 2023, Greater Cleveland gained 29,000 jobs with only two sectors posting employment decreases, while one sector plateaued. At 1.6%, the growth rate remained 40 basis points below the national average. Cleveland closed the past year on an upward curve, while on a national level, the growth rate was on a descending trajectory.

➤ The education and health services sector led growth, with 15,600 jobs added, marking a 19.4%

expansion. Government and leisure and hospitality rounded out the top three with a combined 10,300 jobs added. At the other end of the spectrum, trade, transportation and utilities and financial activities lost a total of 5,000 jobs. Meanwhile, there was no change for the information sector, as job creation offset losses.

➤ Blue Abyss acquired a 12-acre site in Brook Park, Ohio, with plans to build an extreme environment research and development facility. The Blue Abyss Centre will take shape next to the Cleveland Hopkins International Airport. The facility will include a 50-meter-deep R&D pool, among other offerings.

Cleveland Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
65	Education and Health Services	276	19.5%
90	Government	180	12.7%
70	Leisure and Hospitality	130	9.2%
60	Professional and Business Services	203	14.3%
15	Mining, Logging and Construction	56	4.0%
80	Other Services	53	3.7%
30	Manufacturing	159	11.2%
50	Information	20	1.4%
40	Trade, Transportation and Utilities	256	18.1%
55	Financial Activities	85	6.0%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

➤ Cleveland — Akron lost 6,589 residents in 2022. This marked a 0.2% decrease year-over-year. In contrast, national population growth came in at 0.4% during the same interval.

➤ Overall, since 2010 the metro has contracted by 9,345 residents, marking a 0.3% decline.

Cleveland vs. National Population

|	2019	2020	2021	2022
National	324,697,795	326,569,308	329,725,481	331,097,593
Cleveland	2,760,743	2,756,423	2,786,926	2,780,337

Source: U.S. Census

➤ As of February, Cleveland had 4,488 units under construction. Nearly a quarter of the projects were fully affordable developments, but most of them comprised less than 100 units. The majority of developments underway were Lifestyle projects and only three projects totaling 336 units fell within the RBN category. The metro's pipeline also included some 16,200 units in the planning and permitting stages.

➤ During the first two months of the year, no properties with more than 50 units came online in Greater Cleveland. Last year 1,577 units were completed, nearing the 1,606-unit average of the past five years. Yardi Matrix expects Cleveland to gain 1,371 units by the end of 2024, followed by an additional 2,396 units completed in 2025.

➤ During the past five years 1,001 fully affordable units came online in the metro. Inspiron Group completed the largest of them. The 131-unit Addis View in the Hough submarket was delivered in 2023. As of February, the largest fully affordable project underway was the 120-unit Woodhill Station West developed by The Community Builders and Ohio Capital Corp. for Housing. The joint venture is also working on another fully affordable development in the Woodland Hills submarket.

➤ The largest Lifestyle project under construction in the metro is an office conversion project. Bluelofts and Wolfe Investments are redeveloping the former headquarters of the Ohio Bell Telephone Co. into a 367-unit residential complex. The Bell, in the Cleveland — Downtown submarket, is expected to come online in mid-2024.

Cleveland Completions (as of February 2024)
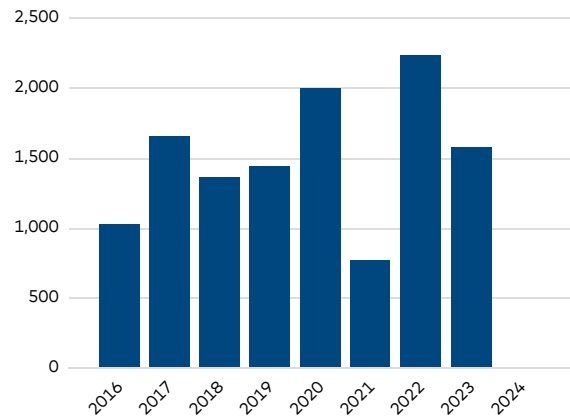
Source: Yardi Matrix

Cleveland vs. National Completions as a Percentage of Total Stock (as of February 2024)
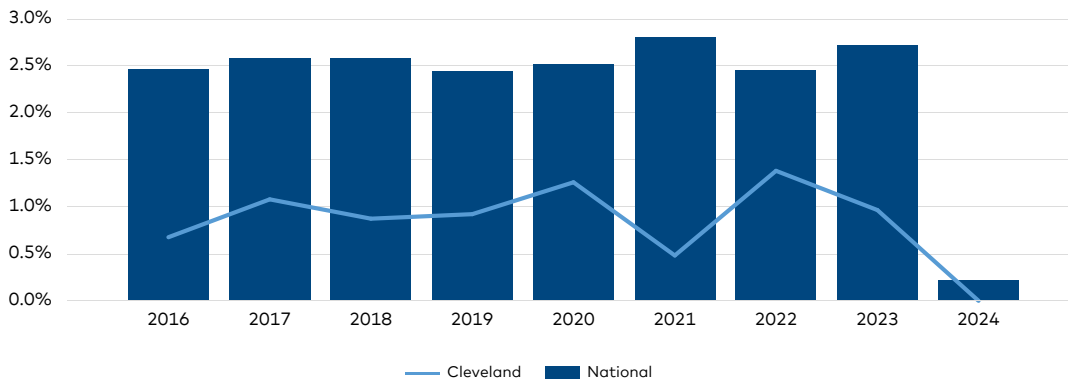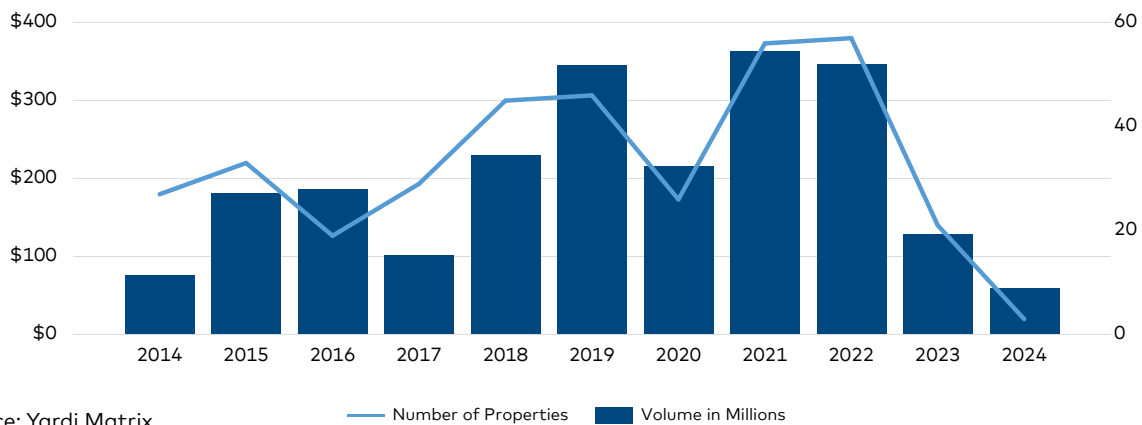

Source: Yardi Matrix

TRANSACTIONS

➤ In the first two months of the year, transaction volume reached $60 million. The figure was well above the $8 million that traded in the same period in 2023. In the past year sales volume totaled $129 million, below the $218 million 10-year average for the period ending in 2023.

➤ As of February, the metro's average price per unit settled at $109,050, albeit based on a limited sample size. The figure was well above 2023's average of $65,208, despite being solely derived

from RBN sales. However, Cleveland's average was almost half the national figure of $199,517.

➤ During the 12 months ending in February, The Lakes of Aurora fetched the highest price for a single asset sale. The Solomon Organization acquired the 236-unit property for $42 million. Another RBN property, East 4th Street: Euclid Block had the largest per-unit price. RHM Real Estate Group paid $20.8 million or $324,453 per unit for the building. The 64-unit property was originally built as an office building in 1899.

Cleveland Sales Volume and Number of Properties Sold (as of February 2024)
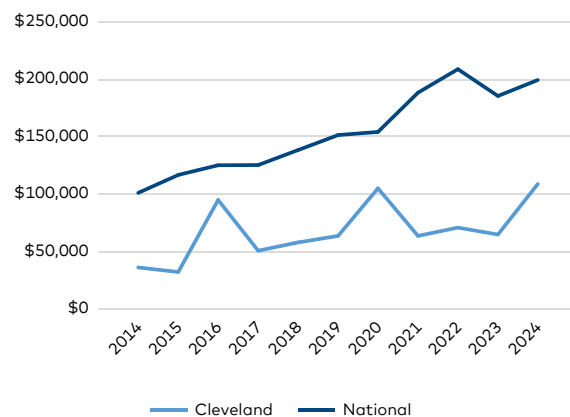

Source: Yardi Matrix

Number of Properties — Volume in Millions

Top Submarkets for Transaction Volume[1]

Submarket	Volume ($MM)
Portage	42
Solon	35
Akron—Downtown	24
Kent	22
Cleveland—Downtown	21
Eastlake	16
Brookpark	6

Source: Yardi Matrix
[1] From March 2023 to February 2024

Cleveland vs. National Sales Price per Unit

Cleveland — National

Source: Yardi Matrix
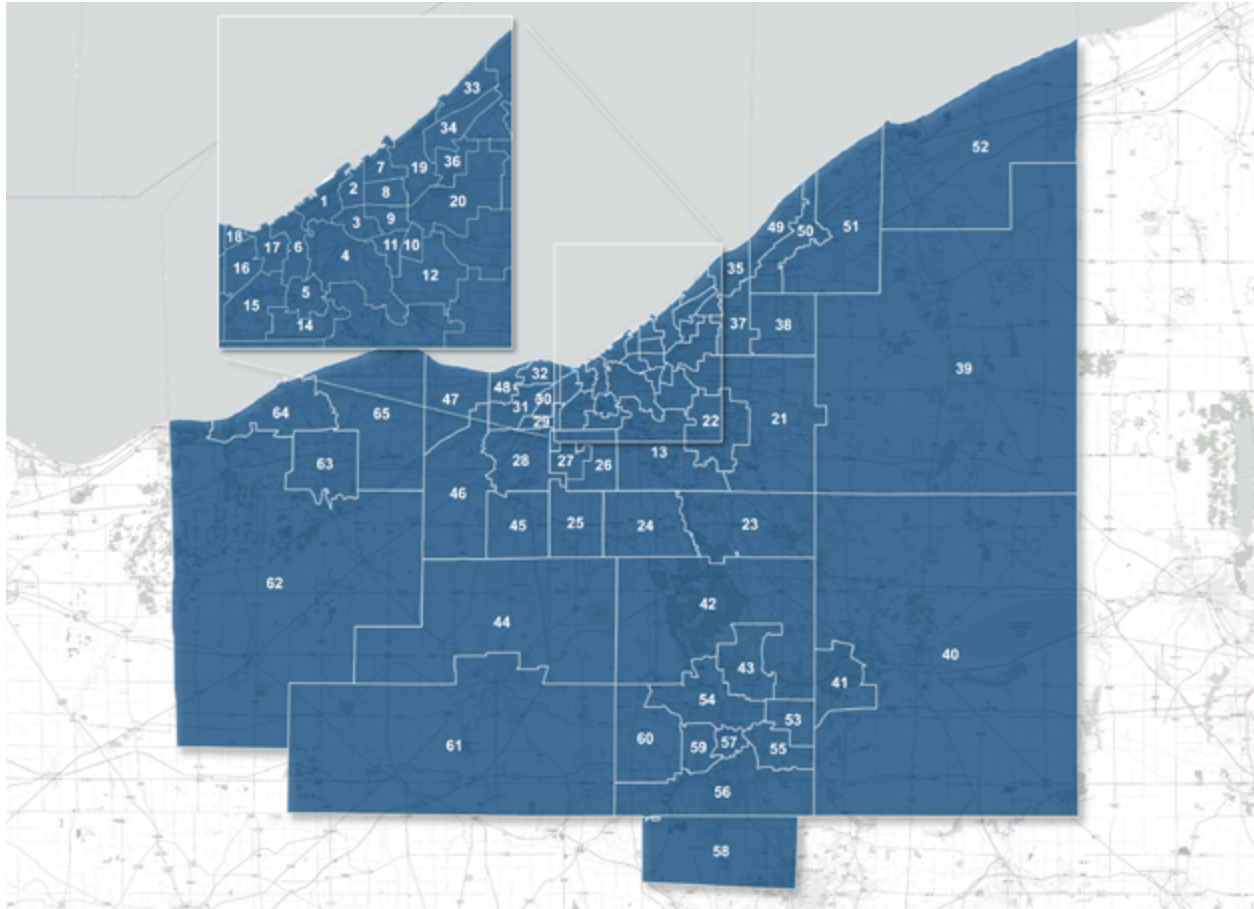
Area No.	Submarket		Area No.	Submarket		Area No.	Submarket
1	Cleveland–Downtown		23	Twinsburg		45	Strongsville
2	Goodrich–Kirtland Park		24	Broadview Heights		46	Olmsted
3	Central		25	North Royalton		47	Westlake
4	Broadway		26	Parma		48	Rocky River
5	Brooklyn Centre		27	Parma Heights		49	Eastlake
6	Ohio City		28	Brookpark		50	Willoughby
7	St. Claire–Superior		29	Puritas		51	Mentor
8	Hough		30	Jefferson		52	Lake
9	Fairfax		31	Fairview Park		53	Tallmadge
10	Woodland Hills		32	Lakewood		54	Akron–North
11	Kinsman		33	North Collinwood		55	Akron–East
12	Shaker Heights		34	South Collinwood		56	Akron–South
13	Garfield Heights		35	Euclid		57	Akron–Downtown
14	Old Brooklyn		36	Cleveland–East		58	Uniontown
15	Brooklyn		37	Richmond Heights		59	Akron–West
16	Cudell		38	Mayfield		60	Copley
17	Shoreway		39	Geauga		61	Medina
18	Edgewater		40	Portage		62	Lorain
19	Glenville		41	Kent		63	Elyria
20	Cleveland Heights		42	Summit		64	Lorain–Downtown
21	Solon		43	Cuyahoga Falls		65	Avon
22	Bedford		44	Brunswick			

DEFINITIONS

Lifestyle households (renters by choice) have wealth sufficient to own but have chosen to rent. Discretionary households, most typically a retired couple or single professional, have chosen the flexibility associated with renting over the obligations of ownership.

Renter-by-Necessity households span a range. In descending order, household types can be:

➤ *A young-professional*, double-income-no-kids household with substantial income but without wealth needed to acquire a home or condominium;

➤ *Students,* who also span a range of income capability, extending from affluent to barely getting by;

➤ *Lower-middle-income ("gray-collar") households,* composed of office workers, policemen, firemen, technical workers, teachers, etc.;

➤ *Blue-collar households,* which barely meet rent demands each month and likely pay a disproportionate share of their income toward rent;

➤ *Subsidized households*, which pay a percentage of household income in rent, with the balance of rent paid through a governmental agency subsidy. Subsidized households, while typically low income, extend to middle-income households in some high-cost markets, such as New York City;

➤ *Military households*, subject to frequency of relocation.

These differences can weigh heavily in determining a property's ability to attract specific renter market segments. The five-star resort serves a very different market than the down-and-outer motel. Apartments are distinguished similarly, but distinctions are often not clearly definitive without investigation. The Yardi® Matrix Context rating eliminates that requirement, designating property market positions as:

Market Position	Improvements Ratings
Discretionary	A+ / A
High Mid-Range	A- / B+
Low Mid-Range	B / B-
Workforce	C+ / C / C- / D

The value in application of the Yardi® Matrix Context rating is that standardized data provides consistency; information is more meaningful because there is less uncertainty. The user can move faster and more efficiently, with more accurate end results.

The Yardi® Matrix Context rating is not intended as a final word concerning a property's status—either improvements or location. Rather, the result provides reasonable consistency for comparing one property with another through reference to a consistently applied standard.

To learn more about Yardi® Matrix and subscribing, please visit www.yardimatrix.com or call Ron Brock, Jr., at 480-663-1149 x2404.
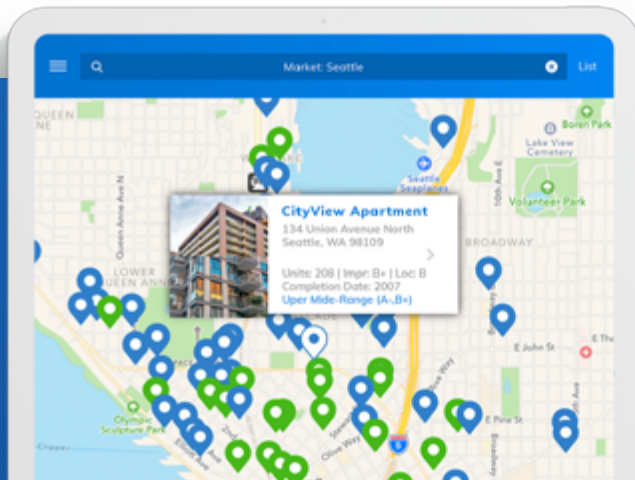
Yardi Matrix

Power your business with the industry's leading data provider

MULTIFAMILY KEY FEATURES

- Pierce the LLC every time with true ownership and contact details
- Leverage improvement and location ratings, unit mix, occupancy and manager info

- Gain complete new supply pipeline information from concept to completion
- Find acquisition prospects based on in-place loans, maturity dates, lenders and originators
- Access aggregated and anonymized residential revenue and expense comps

Yardi Matrix Multifamily provides accurate data on **19.7+ million units**, covering over **92% of the U.S. population.**

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